

*The explanatory notes on this slide were not part of the presentation at the 1/28/26 School Board meeting. They are provided to guide the use of the excerpted slides.*

**Slide #2** describes what the Board mandated the Superintendent and staff to do under Scenario 3, which was adopted on 12/10/25.

**Slides #4** is commentary by district staff about investments that they are prioritizing.

**Slide #12** is a caution from staff about the need to reduce investments that are currently funded with Supplemental & Concentration dollars.

**The remaining slides** provide details about how Scenario 3 to reduce and adjust the budget is being implemented. Scenario 3 includes Central reductions and adjustments presented to the Board as Scenarios 1 and 2.

# The Board's Mandate

Resolution No 2526-0177A - Dec. 10, 2025 ” [Board Resolution](#)

It is the Board's duty to approve a fiscally responsible budget preserves local control.

## Financial Goals

- ◆ **2025-26.** Ensure the Board-required 3% Reserve for Economic Uncertainty is maintained beginning 2025-26 (~\$27M total)
- ◆ **2026-27+.** Address projected Unrestricted General Fund deficits over \$70M in each of 2026-27 and 2027-28

## Operational Goals

- ◆ No school closures
- ◆ Prioritize reductions in Central, furthest from students
- ◆ Enhance efforts to improve student attendance and enrollment
- ◆ Reduce reliance on one-time funds
- ◆ Improve fiscal controls, monitoring, and transparency

\* The [Board Resolution](#) (as amended November 19, 2025 contained other directives regarding the Board's intent and methods to be considered in building budget scenarios.

## 03 Implementation Results to Date



# Protecting What Matters Most

While Making \$50M in Reductions, These Student Priorities Remain Fully Funded

- ✓ **Small neighborhood schools**, to continue serving families in every neighborhood while we work toward our long-term plan for the District.
- ✓ **Alternative Education Programs**, keeping students on track for graduation with flexible, supportive learning environments.
- ✓ **11-month teachers at focal school sites**, providing extended planning time to support improved student outcomes.
- ✓ **7- and 8-period high school days**, ensuring students access needed elective courses and meet graduation requirements.
- ✓ **Culture and climate investments**, creating safe, welcoming learning environments
- ✓ **Community schools administrative support**, that helps coordinates services and supports for students and families to address non-academic barriers that impact student success

# Hard Decisions, Immediate Results

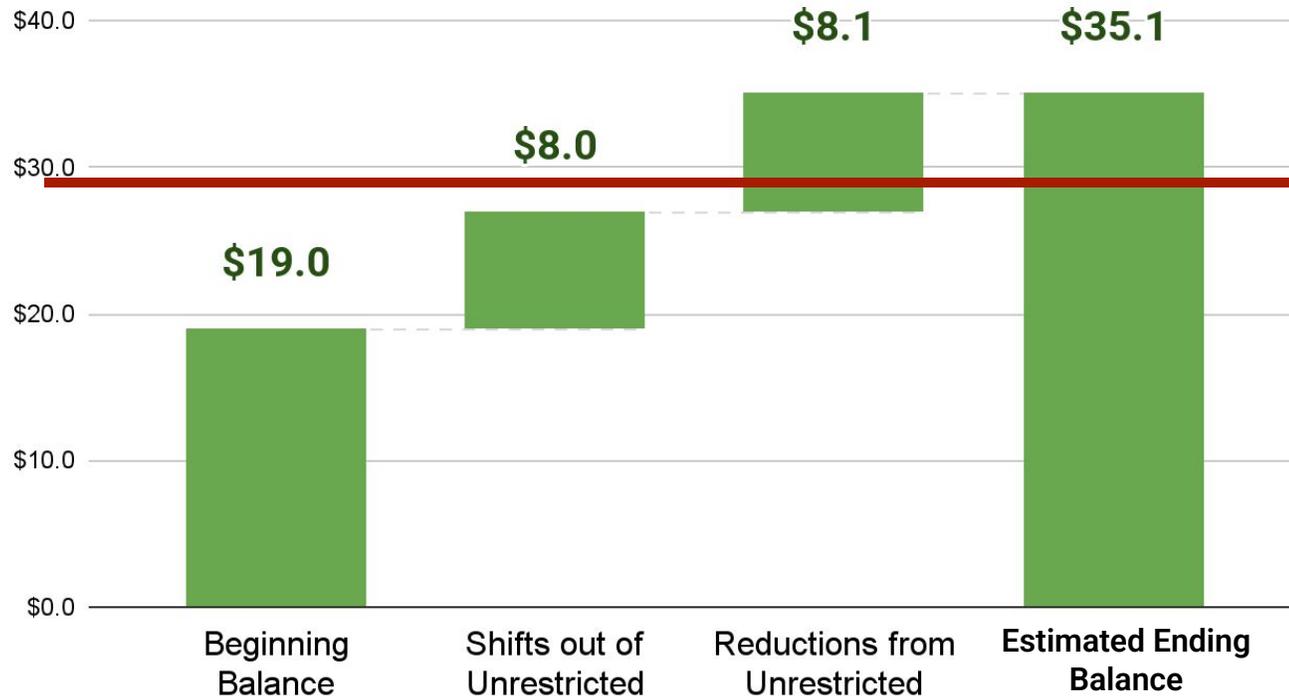
Following HYA guidance, OUSD is adopting a 'Most Restricted First' allocation philosophy—using restricted funds for their intended purposes before drawing on flexible Base funds. This protects our Reserve and ensures compliance."

<i>Adjustment Type</i>	<i>Duration</i>	<b>2025-26</b>	<b>2026-27</b>	<b>Total</b>
Reductions & Savings	One-time	\$8,085,982		\$8,085,982
	Ongoing		\$12,000,000	\$12,000,000
Reduction Total		\$8,085,982	\$12,000,000	\$20,085,982
Reallocations (Most Restricted First)	One-time	\$18,500,000	\$4,900,000	\$23,400,000
	Ongoing		\$20,640,000	\$20,640,000
Reallocations & Reductions Total		\$18,500,000	\$25,540,000	\$44,040,000
<b>Grand Total</b>		<b>\$26,585,982</b>	<b>\$37,540,000</b>	<b>\$64,125,982</b>

**Reserve for Economic Uncertainty Restored!**

# Estimated 2025-26 Fund Balance and Reserve

Reductions from Unrestricted (\$8M) and Reallocations of Unrestricted (\$8M) have stabilized Unrestricted Fund Balance.



Estimated Level for 3% Reserve for Economic Uncertainty (~\$29M)

These adjustments restore the District's fund balance to meet both the State (2%) and Board-mandated (3%) Reserve for Economic Uncertainty (REU)

\* Formal projections will next be updated at the Second Interim Financial Report based on data through January 31 and presented in mid-March.

# Spending Reductions by Category '25-26

Implementation Results: Impacts to the current '25-26 Budget

<i>Adjustment Description</i>	<i>Duration</i>	<b>Estimated 2025-26</b>
Central Office: 20% Reduction unspent S&C operation funds	One-time	\$3,026,293
Central Office: 20% Reduction unspent S&C staffing	One-time	\$1,430,239
Central Office: Reduce unspent Base operation funding	One-time	\$1,964,199
Schools: 10% Reduction unspent Base staffing	One-time	\$29,011
Schools: 10% Reduction unspent Base operations	One-time	\$74,390
Schools: Reduce unspent S&C non-staffing	One-time	\$72,905
Schools: Reduce unspent S&C staffing	One-time	\$1,488,945
<b>Grand Total</b>		<b>\$8,085,982</b>

\* Reductions to S&C spending listed here both a) reduce overall unrestricted improving the unrestricted fund balance, and b) free up balances to accommodate for reallocations of Base spending into S&C resources. Appropriate use of Base funds to meet the Reserve for Economic Uncertainty.

# 2025-26 Funding Realignment

<i>Adjustment Description</i>	<i>Duration</i>	<b>Estimated 2025-26</b>
Fund Small schools serving high needs students with S&C	One-time	\$10,000,000
Fund Student Support Professional Development with Discretionary Block Grant	One-time	\$4,600,000
Fund Custodial Expenses for After School with Expanded Learning Opportunities Programs Grant	One-time	\$2,000,000
Fund Attendance Specialists and Noon Supervisors with expiring one-time funds Arts, Music & Instructional Materials Discretionary Block Grant***	One-time	\$1,400,000
Fund Allowable Expenses to S&C	One-time	\$500,000
<b>Grand Total</b>		<b>\$18,500,000</b>

\* Best Practice Adoption. Appropriate reallocation of Base funding to Restricted funding sources increases Unrestricted Fund Balance and alleviate overspending in Base. REU is typically comprised of Base resources.

\*\* Planned for Ongoing Expenditure in S&C for 26-27 Planned Budget

\*\*\* OUSD invests more than \$65 million in Literacy and \$30 million in the arts (schools and central combined).

# Implementation Plan Overview 2026-27

<i>Summarized Actions for 26-27</i>	Target	Status
Central Office Reductions	\$21,000,000	On Track
School Site Budget Reduction between 7.5-10%	\$32,000,000	Under Review
Central Office Reductions 15-20% reduction above 21M	\$11,000,000	On Track
Reduce school site access to unutilized spaces	\$1,600,000	On Track
After budget development second tier contract review	TBD	On Track
Decreased Routine Repair & Maintenance Account RRMA expenditures	\$1,000,000	On Track
Increased attendance by 2%	\$10,000,000	Under Review
TK Hub Launch for 2-3 Hubs	\$1,500,000	On Track
Centralized Procurement of Materials and Services	TBD	On Track
Fleet Management System (Future Savings)	TBD	On Track
Shift Attendance Specialist & Noon Supervisors to S&C	\$3,860,000	Completed
Shift costs of small schools into S&C	\$8,500,000	Completed
10% reduction of contribution to Special Education	\$12,000,000	Under Review
Feasibility Study for NPS in OUSD Properties	TBD	On Track
<b>Grand Total</b>	<b>\$102,460,000</b>	

# Next Year (2026-27) Reductions to Date\*

Board actions from Scenario 1 incorporated into the current plan creates ongoing reductions in Central Office Spending

<i>Adjustment Description</i>	<i>Duration</i>	<b>Estimated 2026-27</b>
Reduce Unrestricted Central Office spending per Scenario 1	Ongoing	\$10,000,000
Reduction of contribution to Deferred Maintenance Fund	Ongoing	\$2,000,000
<b>Grand Total</b>		<b>\$12,000,000</b>

\* Conservative estimates of savings included here as proportion of reduction applied to unrestricted resources is under additional review. See [Scenario 1](#) for details.

# 2026-27 Funding Realignment

Correcting funding sources to align with program purposes and compliance requirements

<i>Reallocation Adjustment Description</i>	<i>Duration</i>	<b>Estimated 2026-27</b>
Fund Student Support Professional Development with Discretionary Block Grant**	One-time	\$4,900,000
Fund Small Schools serving high needs students with S&C***	Ongoing	\$9,000,000
Fund Alternative Education programs with S&C	Ongoing	\$11,000,000
Fund Noon Supervisor positions with S&C	Ongoing	\$640,000
<b>Grand Total</b>		<b>\$25,540,000</b>

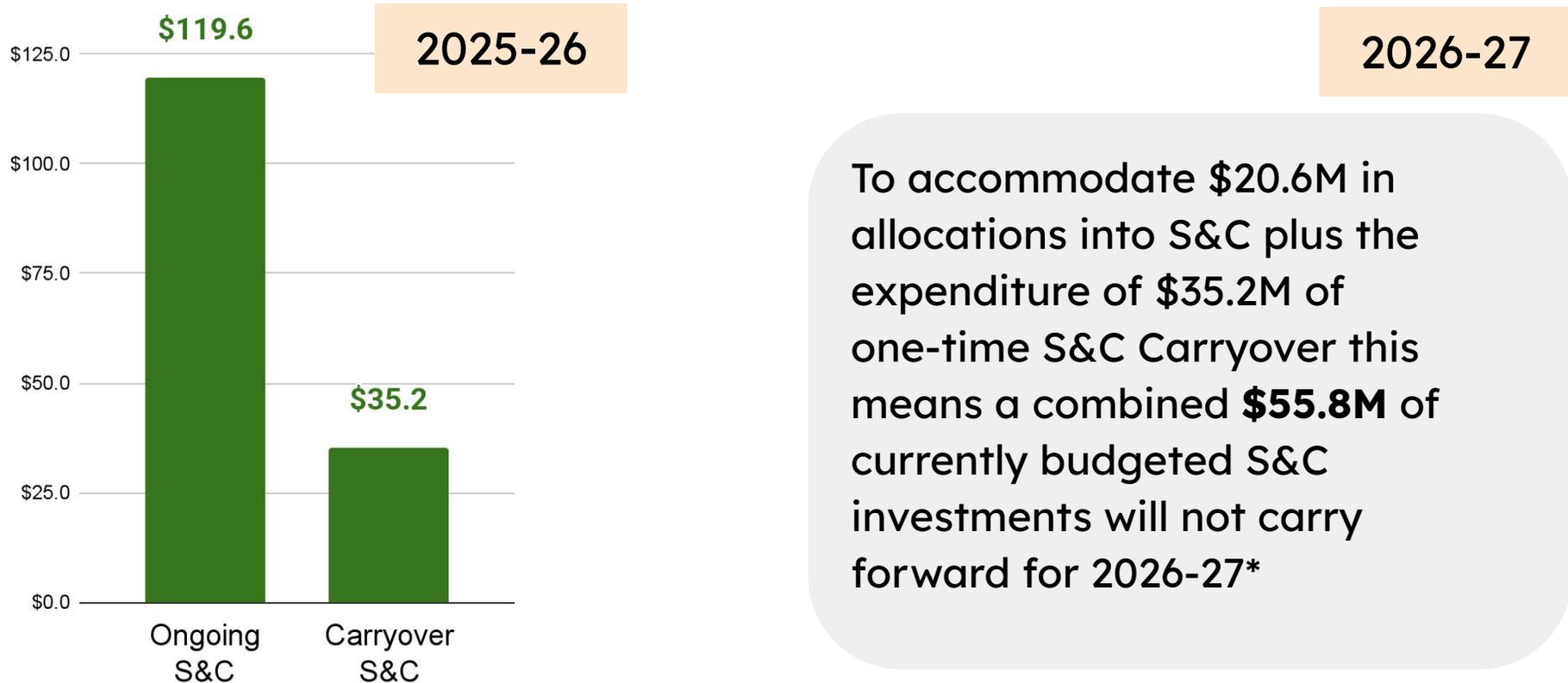
\* Shifts out of Base funding to S&C Funding alleviate overspending in Base to support the Reserve for Economic Uncertainty which should be comprised of Base resources.

\*\* The Discretionary Block Grant (Resource 6019) is a one-time resource expected to be fully expended in 2026-27.

\*\*\* Projections are all based on Current Costs Associated with Base Funding Provided to Necessary Small Schools and Alternative Education Programming

# Impact on S&C Funded Programs and Services

As one-time carryover funds are spent and realignments increase demand on S&C, current S&C-funded services must be reduced by approximately \$56M to balance the budget.



To accommodate \$20.6M in allocations into S&C plus the expenditure of \$35.2M of one-time S&C Carryover this means a combined **\$55.8M** of currently budgeted S&C investments will not carry forward for 2026-27\*

\* Expenditures removed from S&C may be shifted to other Restricted funding or eliminated altogether. The feasibility of shifting expenditures to Restricted resources is under review. Some investments in carryover were always intended to be one-time investments (e.g., textbook adoptions) while others may move into ongoing funding.

# APPENDIX



# Governance (~1 FTE)

All changes will be consistent with labor agreements.

## Impact (Offsets)

Governance Division staffing will be reduced by 2.0 FTE and selected legal contracts will be reduced, while adding a special education attorney to shift work from outside counsel to in house capacity.

### What this means:

- Reduced internal capacity for legal advisory services and governance support
- Increased workload for remaining attorneys and governance staff to maintain statutory and board mandated functions
- Slower turnaround times for legal review, contract processing, and policy and governance guidance
- Greater prioritization of high risk litigation, special education matters, and board support activities
- Reduced flexibility to absorb emergent legal matters or peak board and labor activity periods

### Operational impacts:

- Continued compliance with Brown Act, charter oversight, labor relations, and Title IX requirements with fewer internal resources
- Increased reliance on prioritization of cases and matters with highest legal and fiscal exposure
- Ongoing monitoring to ensure reductions in outside counsel do not increase risk or compliance gaps

Unrestricted General Fund savings of approximately \$1,000,000/ Includes 2.0 FTE reductions and reductions in legal service contracts

## Impact (Offsets)

### Reductions in Communications Department

- Reduce number of central publications, including broad range of community-focused messages and social media engagement
- Narrow focus of District communications efforts to:
  1. School-to-family communications  
Highest rated communications value for families based on past engagement feedback
  2. Attendance
  3. Enrollment
  4. Safety
  5. Crisis Communications and Public Relations
- Loss of high-quality school website support/integration (affects narrowed focus areas #1 and #3)

# Continuous School Improvement Division (~95 FTE)

All changes will be consistent with labor agreements.

## Impact (Offsets)

Reduction in Case Managers assigned to schools;

Maintained High School Electives FTE for 7-period day but offset the Middle School Allocation by half.  
Reduction in late-arriving staffing for Alternative Education and Newcomers.;

Reduction in Community School Managers (CSMs);

Reduction in Targeted Strategies staffing at school sites: AAMA, AAFE, LSA, AA & APISA.;

Reduction in MTSS Staff, Network Partner Staff, Instructional Content Staff, Mental Health Staff, Targeted Strategies and Family Engagement Staff.

More reductions are pending. Majority of student services are funded in Supplemental and Concentration (S&C). These services will be decreased or eliminated in order to absorb the shift of on-going investments to S&C.

# Talent (~29 FTE)

All changes will be consistent with labor agreements.

## Impact (Offsets)

Talent Division support and management positions were eliminated by 8 FTE, including roles that supported recruitment, staffing assistance, diversity initiatives, substitute services, and front-office reception.

What this means:

- Reduced capacity for recruitment and hiring support, particularly during peak hiring periods
- Fewer staff available to provide hands-on assistance to schools and candidates
- Slower response times for staffing requests and substitute coordination
- Remaining staff absorbing additional workload to maintain required services

The district will go to the number of STIP substitutes at school sites required by the contract which is 44. Therefore 21 STIP positions will be reduced.

# Financial Services (~5 FTE)

All changes will be consistent with labor agreements.

## Impact (Offsets)

As the Chief Financial Officer transitions into leadership and assumes responsibility for the District's financial strategy, prior recommendations are under review and may be refined to better align with current operational needs and fiscal priorities.

# Systems & Services (~6.5 FTE)

All changes will be consistent with labor agreements.

## Impact (Offsets)

**Enrollment:** Enrollment staffing will be reduced by 3.0 FTE, eliminating the District's capacity to continue proactive enrollment stabilization work with families.

- Loss of proactive enrollment stabilization and family engagement, including outreach, navigation, and follow-up, increasing the risk of enrollment decline as families considering charter, private, or neighboring district options receive less timely support.
- Direct fiscal impact from enrollment loss, as reduced ADA revenue further weakens the Unrestricted General Fund, making ongoing monitoring of enrollment trends critical.

**Tech Services:** Technology Services remains one of the smallest departments compared to similarly sized districts, and additional staffing is needed to strengthen the reliability of core systems. As instructional technology use continues to grow, reductions in devices or school-based tech support will lead to longer response times and delays in resolving issues, potentially disrupting classroom instruction and essential operations.

**Systems and Services:** Reductions of 2 FTE and shifting other staff to restricted funds to maintain core operations.

- Reduction in support for clerical supports and mentoring program and development of strategic partnerships and grants that support operations. Less training for classified staff across the division and particularly school sites.

**Buildings and Grounds (Mandatory 3%):** Funding for Buildings & Grounds is constrained by the state-mandated 3% contribution of General Fund expenditures, resulting in reduced overall resources for the department. While staffing levels are not impacted, the reduction will limit available materials and supplies for routine and preventative maintenance. Cuts to Deferred Maintenance and reduced RRMA funding are expected to increase unresolved work orders and the likelihood of emergency repairs, which could place additional pressure on the Reserve for Economic Uncertainty

**Nutrition Services (Fund 13):** No impact to meal service operations and kitchen/cafeteria upgrades, as Child Nutrition Services is funded through Fund 13. Fund 13 has absorbed certain operational costs (including warehouse driver support) to reduce pressure on the Unrestricted General Fund. The department will continue prioritizing staff training and the development of internal mentoring to strengthen frontline capacity and long-term operational stability.

**Facilities (Capital Funds):** The Bond Program will continue as planned, with major projects funded through the Capital Fund and advancing into active construction. Based on Board direction, funding for required water remediation work will continue through Fund 21.

# Central Office Budget Adjustment - Position Reductions

More reductions are pending. Reductions will also include expiring grants.

Division Description	FTE Reduction (approx.)
<p><b>Strategy, Communication &amp; Development:</b> Manages partnerships, fundraising, and external relationships that bring additional resources to schools. It also helps align work across departments so district efforts are focused and coordinated.</p>	<p>4.0</p>
<p><b>Talent Division:</b> The division recruits and supports teachers, staff, and substitutes, manages pay, benefits, credentials, and leaves, and ensures employees are trained and supported to do their jobs well. It also provides new teacher support, leadership development, and workforce pathways to help schools stay staffed and stable.</p>	<p>29.0 8.0 central 21.0 schools</p>
<p><b>Continuous School Improvement (CSI):</b> Supports teaching, learning, and student well-being across OUSD schools. The division helps schools improve instruction, early learning, services for English learners, and student supports using data and collaboration. This work helps schools respond to student needs and improve outcomes for all learners.</p>	<p>93.5 68.3 central 25.2 schools</p>
<p><b>Systems &amp; Services:</b> Supports the day-to-day operations that keep OUSD schools running including facilities, buildings and grounds, clerical supports, custodial services, technology support, student nutrition, and enrollment services.</p>	<p>6.25</p>
<p><b>Governance:</b> Ensures the District follows laws, contracts, and Board policies. This includes labor relations, charter school oversight, and support for Board meetings and governance processes.</p>	<p>1.0</p>
<p><b>Financial Services:</b> Manages the District’s budget, payments, payroll, and financial reporting. The division ensures employees are paid on time, vendors are paid accurately, and spending follows Board policy and state requirements.</p>	<p>5.0</p>